Presentation of the Budget Estimate for 1119

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)* : Sir, A comp'ete year is just passing since we met last to discuss our budget estimates for the current year and to-day we are here again to take stock of the present situation and to consider the future operations for meeting and successfully overcoming the unprecedented crises which now confronts the State and its people. Notwithstanding the hopeful signs of Victory which we now witness penetrating through the dark clouds that enshrouded us hitherto, it cannot be denied that the State along with many parts of the world is passing through the greatest difficulties for want of adequate essentials of life—I mean food and clothing—though we have been fortunately spared the other horrors of war. In the words of Sir Jeremy Raisman, "the broad picture which confronts us today is one of omnipresent and cumulative shortage;.....Occupation by the enemy of neighbouring territory has robbed us of part of our food supplies and increased the strain on communications. The drastic cutting off of our imports has reduced our supplies and helped the profiteer to exploit the consumer." Shortage of food and clothing and the soaring rise in prices are thus not peculiar to us and we can do very little ourselves for the improvement of the situation. The best efforts are still being made to grow more food wherever possible and at whatever cost. Though this has helped us and may help us to some extent, scarcity of rice is still keenly felt in the land despite the imports of rice and other food stuffs from British Provinces. Government sorely feel that they have not been able to provide sufficient food grains to the people notwithstanding their most strenuous endeavours.

But even the darkest clouds have a silver lining. The rising prices of agricultural products have certainly diminished the real burden of agricultural indebtedness, a cause to which many of the major evils besetting our cultivators has very often been traced. The industrial worker and the manual labourer are enjoying full employment at increasing wages both in the State and outside and if he only exercises sufficient self-control and abstains from squandering away his earnings on superfluities or luxuries a useful fund can be built up by him for any rainy day.

It is thus in an intriguing situation that we are meeting now; while the agriculturists, the merchants and the labouring classes, practically all except the salaried man, have all financially benefited by a rise in their income they cannot at the same time obtain adequately the essential requirements of life even at high prices. With the food grains imported from outside supplemented by our own products we are just tiding over the crisis and it is hoped that the danger point will soon be passed over successfully.

I am alluding to these factors as they form the back ground on which our estimates for the coming year are based to a considerable extent and to make clear at the very outset that our present difficulties are in no way worse but in some measure easier than those of other peoples in a world at war. Undoubtedly the difficulties of the present moment give us no room for complacency, but at the same time we should not give ourselves to dispondency but strive our best to manfully solve our problems to the best of our ability and to this end we earnestly look forward to the hearty co-operation of this House which has always been available to us in abundance.

ACTUALS OF 1117

With these preliminary observations I shall now touch briefly, according to the usual practice, on the results of the financial year 1117. In our revised estimates for 1117 we anticipated a revenue of Rs. 127·56 lakhs and an expenditure charged to revenue of Rs. 119·58 lakhs leaving a surplus of Rs. 7·98 lakhs. Actually our revenue mounted up to Rs. 132·75 lakhs which was in excess of our anticipations by Rs. 5·19 lakhs while on the expendiiure side there were savings to the extent of Rs. 5·58 lakhs. The actual transactions of the year accordingly resulted in a surplus of Rs. 18·75 lakhs out of which a sum of Rs. 15 lakhs has been transferred to Revenue Reserve Fund.

Compared with the budget, the revenue receipts showed an increase of Rs. 19·27 lakhs mostly brought about by unforseeable increases under such heads as Forests and Tramway, Railway and Income-tax, due to war supplies, war traffic and excess profits tax, etc. The revenue expenditure for the year amounted to Rs.114·00 lakhs as against Rs. 109·97 lakhs anticipated in the budget thus resulting in an excess expenditure of Rs. 5.03 lakhs. The excess was the outcome of an increase in expenditure amounting to Rs. 6·87 lakhs under certain heads as Miscellaneous (Rs. 4·17 lakhs), Railway (Rs. 1·88 lakhs, etc.) partly counterbalanced by savings amounting to Rs. 1·84 lakhs under a few other heads as Public Works, General Administration, etc. I do not propose to go into details as they have been explained fully in the Memorandum with you.

The State had at the end of the year a net asset of Rs. 131·81 lakhs over liabilities excluding the transfer made to Revenue Reserve Fund. The investments on capital outlay such as the

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Cochin Harbour, Railway, Navigation Works, etc., amount to Rs. 107·16 lakhs and excluding loans and advances recoverable the total of the other investments stood at Rs. 89·63 lakhs.

We shall now pass on to the working of the current year.

REVISED ESTIMATE OF 1118

The budget of the year which is now closing was framed, as you know, on the expectation of realising a revenue of Rs. 124·36 lakhs and it provided for an aggregate expenditure of Rs. 121·18 lakhs leaving a surplus of Rs. 3·18 lakhs. In these troublous time when large funds are required for numerous urgent purposes essential for the maintenance and security of the people it is a matter for real gratification to state that the revised estimate shows an improvement of Rs. 39·72 lakhs in revenue, the total revenue which is expected to be realised at the end of the year being Rs. 164·08 lakhs. With this fortunate windfall in revenues there has been a simultaneous increase in expenditure—though not the same extent—of Rs. 24 lakhs thus raising the expenditure to Rs. 150·42 lakhs. The year is thus expected to leave a safe surplus of Rs. 13.66 lakhs *i.e.*, 10·48 lakhs more than what was anticipated at this time last year.

Receipts.—Coming to details, the main heads that contribute to this large increase in revenue are Income-tax, Railway, Forests and Tramway and Abkari and Ganja. The increased income under each of these heads is more or less the outcome of war activities and in the absence of any exact basis to go upon we had to frame these cautiously which luckily turned to be under-estimates.

First and foremost should be mentioned the revenue under Income-tax. When this tax was introduced in the State eight years ago it was perhaps not thought that at this near future the receipts under this head would swell to such an extent and beat even the Customs revenue. Starting with a small beginning of Rs. 2·71 lakhs in 1110 it has steadily been increasing year by year and in 1116 the receipts came to Rs. 8·64 lakhs. The revised rates of taxation and the introduction of Excess Profits Tax raised the revenue to Rs. 14·56 lakhs last year and this year we expect Rs. 30 lakhs even though we budgetted for Rs. 13 lakhs alone on the basis of the revised estimate of 1117. The increase under Income-tax reflects only the larger income obtained from the war boom and it cannot therefore be a permanent feature of our revenues. There is thus nothing to be unduly jubilant over this, even though it is none the less a welcome addition to the resources of the State which is at present in dire need of funds to meet, in an increasing measure, the essential obligations to the people.

Next comes Railway with an increase in gross earnings of Rs. 14·57 lakhs over the budgetted estimate of Rs. 22 lakhs. The increase is ostensibly due to larger goods traffic. After protracted correspondence we also received from the Company a sum of Rs. 1·04 lakhs being the arrears of railway receipts consequent on the revision of the method of calculation in respect of the rebate on interchanged traffic at the Jolarpet junction.

Then comes Forests and Tramway, the revenue under which is expected to bring us a much larger return thanks to the rise in demand for the use of all kinds of timber including soft wood and the better prices obtained. Based on the revised estimate of 1117 *viz.*, Rs. 8·65 lakhs we budgetted for a revenue of Rs. 8·06 lakhs in the current year; but the revised estimate anticipates an improvement of Rs. 3·15 lakhs.

The revenue under Abkari and Ganja also anticipates an increase of Rs. 1·83 lakhs over the budget estimate of Rs. 9·16 lakhs on account of enhanced revenue from the distillery and the larger fees realised on licenses for foreign liquor and fermented toddy.

Other heads showing increases in revenue are Public Works, Interest, Salt, Stamps, etc. The increase under Public Works (Rs. 0·72 lakh) is mainly due to the contribution received from the British Government for certain works. The other variations have all been explained in the memorandum and there is no use of reiterating them.

Disbursements.—As already stated by me, the expenditure according to the revised estimates is expected to exceed the budget forecast of Rs. 121·18 lakhs by Rs. 29·24 lakhs.

A casual perusal of the revised estimates of the current year would show that a common feature of the various estimates is an appreciable increase under "Dearness Allowance" in all departments due to the enhancement of the rates and the extension of its benefit to all employees including aided school teachers on Rs. 60 and below. The total expenditure on account of dearness allowance for the year is expected to come to Rs. 4·70 lakhs.

The more important heads which contribute to this large increase in expenditure are Miscellaneous, Railway, Forests and Tramway, Public Works, Palace, Education, Income-tax and Military.

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Also for purposes of facility of comparison with the corresponding figures of las year the changes effected in classification of certain items of receipts and expenditure for reasons of administrative convenience are given in the form of an appendix to this Memorandum.

ACCOUNTS OF 1117

The total revenue and expenditure in the closed accounts of the year 1117 as compared with the budget and revised estimates of that year stood as follows.—

(In lakhs of rupees)

Particulars	Budget estimate 1117 Rs.	Revised estimate 1117 Rs.	Actuals 1117 Rs.
Total Revenue ..	113·48	127·56	132·75
Total Expenditure ..	108·97	119·58	129·00
Surplus+or deficit— ..	+4·51	+7·98	+3·75

At the time of the preparation of the budget, the revenue transactions of the year 1117 were expected to result in a surplus of Rs. 4·51 lakhs, the revenue and expenditure anticipated having been Rs. 113·48 lakhs and Rs. 108·97 lakhs respectively. According to the revised estimates, it was anticipated that there would be an increase in revenue of Rs. 14·08 lakhs and the expenditure was expected to record a rise of Rs. 10·61 lakhs thus resulting in a surplus of Rs. 7·98 lakhs. The actual transactions of the year, however, resulted in a surplus of Rs. 18·75 lakhs of which Rs. 15·00 lakhs has been transferre d to the Revenue Reserve Fund.

RECEIPTS

Compared with the budget, the revenue receipts of the year showed an increase of Rs. 19·27 lakhs. The increase was a result of excess revenue of Rs. 19·80 lakhs collected under certain heads of revenue partly counterbalanced by a decline of Rs. 0·53 lakh of rupees under certain other heads. The more important variations in the actuals as compared with the budget estimates are detailed in the subjoined table.—

(Receipts in lakhs of rupees)

Heads	Budget estimate 1117 Rs.	Actuals 1117 Rs.	Increase Rs.	Decrease Rs.	Reasons
Land Revenue	12·63	12·83	·20	..	Due to increased collection of arrears of previous years
Salt	4·98	5·57	·59	..	Due mainly to larger consumption of Salt
Stamps	4·91	5·03	·12	..	Due mainly to larger sale of general stamp papers
Customs	25·00	25·16	·16	..	Actual receipt in the State's share of the Customs Collection of 1941—42
Abkari and Ganja	9·28	10·17	·89	..	Increased collection under arrears of previous year and also due to larger amounts realised under duty on liquor issued from Distillery & tapping for formented toddy
Matches	1·40	1·17	..	·23	Due to low out-put in Match factories and consequent reduced sale of banderols
Forest and Tramway	6·54	9·66	3·12	..	Due to larger volume of timber extracted for war supplies and also due to the collection and sale of trees up-rooted by the Cyclone
Registration	1·13	1·36	·23	..	Due to all-round increased money transactions of the people
Interest	2·80	3·05	·25	..	Due to larger investments in Banks and in foreign Government Securities
Anchal	1·34	1·46	·12	..	Due to increased sale of Anchal and Service Stamps
Education	3·86	4·02	·17	..	Mainly under fee collections due to larger number of students
Public Works	3·39	3·83	·44	..	Mainly under Water Works receipts
Railway	20·00	23·83	3·83	..	Due to increased traffic
Income-tax	6·50	14·56	8·06	..	Due to revised rates of taxation and introduction of excess profit tax
Miscellaneous	1·30	2·76	1·46	..	Mainly due to the appropriation of a lakh of rupees from the Revenue Reserve Fund for payment to H.M.I.S., Cochin

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